TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE Transcriber's Office FLOOR DEBATE

April 6, 2004 LB 1017

Current law allows somebody in the construction business to have one of three options for accounting purposes. Our original bill did away with one of those options and it forced people into one of the other configurations. And when we got done we had parties who said, wait a second, I know how to do business as I I don't want to change. And so, in fact, our ultimate outcome leaves all of the contractors in their options if they want to be in those options. Let me tell you where we get to as far as accomplishments of the system; when we all get done, what do we achieve. One of the things that we wanted to achieve was to allow subcontractors and general contractors not to have to reveal their markup on their goods. Other people don't. They shouldn't have to. One of the courses of the outcome of last year was that in certain circumstances a contractor had to reveal the markup on a material that they provided. common, but they don't want to have to reveal that. So one of the things we achieve with the amendment to the committee amendment is that they will not have to reveal the cost of their materials and their markup, rather, to the ultimate consumer. Secondly, there will be no collection of taxes between subcontractors and general contractors, where contractors get money from subcontractors, hold it and turn it around and give it to the state. All labor can be sold for resale. Subcontractors do not have to know in advance whether or not the project is labor tax-exempt, because all tax on labor is collected by the prime contractor at the end of the process, and the prime contractor will be able to know whether or not the project is exempt or not, and the subcontractor won't have to suffer that risk. General contractors will know the basis upon which subcontractors are bidding projects. General contractors have a process available to determine in advance whether or not a remodeling project is labor tax-exempt or not. words, if you want to know through the system whether or not this is an exempt project or not, the current law doesn't allow you to do that. It allows the Department of Revenue to come back, audit you, and make you pay taxes when you thought you weren't. This creates a preapproval mechanism so that somebody who believes that the project should be tax-exempt can go to the Revenue Department, pay a fee, \$500, certify data sufficient to establish that it is tax-exempt, give it to the Department of Revenue. Then they don't have to collect taxes. On the other